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FM AMEMBASSY VALLETTA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1488
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE IMMEDIATE

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TAGS: [KTFN](#) [PTER](#) [IR](#) [EFIN](#) [PARM](#) [MT](#)
SUBJECT: SCENESETTER FOR U/S LEVEY APR 15-17 VISIT TO MALTA

REF: VALLETTA 132

Classified By: Ambassador Molly Bordonaro, reasons 1.4 (b) and (d)

¶1. (S) U/S Levey: Embassy Valletta looks forward to your upcoming visit to Malta. Composed of several tiny islands in the Mediterranean, Malta's small size and population (400,000) belies a relatively important strategic and geopolitical role. Malta joined the EU in 2004, adopting the Euro as its currency and joining the Schengen visa zone earlier this year. One third of the world's maritime traffic passes by or through Malta, with some 1.5 million containers passing through Malta's Freeport each year (80-90 percent of that amount is trans-shipped, and the Iranian shipping line IRISL uses Malta's Freeport as a hub). Until several years ago there was no Maltese Customs presence in the Freeport, but the USG has invested heavily there, standing up what is now rated as one of the most professional Customs operations in Europe, with its headquarters at a \$2.1 million VACIS-equipped warehouse, all donated by the U.S.

¶2. (S) Your visit comes on the heels of a very close early March election in which the center-right Nationalist Party won re-election by less than 2,000 votes. In recent years the Nationalist government has worked closely with us on a number of counter-terrorism and non-proliferation related initiatives, and has been receptive to cooperation aimed at containing Iran (reftel). The Prime Minister worked hard to get the 2007 PSI Shipboarding Agreement approved by Parliament last fall, and Malta last month hosted a USG interagency team for the first-ever exercise of a PSI Shipboarding Agreement worldwide. (The shipboarding agreement with Malta is particularly significant because Malta has the 5th largest flag registry in the world, with many Iranian ships flying the Maltese flag.) We have an active and free-flowing intelligence exchange with the Maltese Security Service (MSS), with which we enjoy very close relations. The new government's first foreign policy decision following the elections was to re-join NATO's Partnership for Peace (PfP). That decision, which we welcomed, has been heavily (and inaccurately) criticized by the opposition as having allegedly been taken in response to U.S. pressure.

¶3. (S) Your visit also coincides with important progress on a number of bilateral agenda items of great importance to the GoM. Last month a U.S. Treasury delegation and a team of Maltese negotiators reached agreement on the final text of a Double Taxation Agreement, the culmination of a two-year effort (and an issue that had been pushed unsuccessfully by Malta for almost a decade prior to that.) Later this week we will be signing an MOU with the GoM on the Visa Waiver Program, another issue of critical importance to the GoM domestically. And next month we will break ground on a new \$87 million Embassy, which will become the first custom-built foreign embassy on the island (it is worth noting that while

the GoM has strongly supported this effort, and rightfully views it as a symbol of long term U.S. commitment to Malta, the project has been heavily criticized by the opposition, which has used it to stoke fears of U.S. hegemony locally and globally.)

¶4. (S) The GoM appears to clearly understand the dangers and downsides of financial transactions involving Iran, and we anticipate that they will be receptive to your message. While you may hear some references to the importance of "international legitimacy" and the desirability of U.N. or E.U. legal cover for steps taken against Iran (this theme is particularly popular at the MFA), we do not anticipate significant push-back on this front from decision makers. In terms of getting meaningful traction on difficult requests, your key interlocutors will be those at the Ministry of Finance, the Ministry of Foreign Affairs, and the PM's office, all of whom are thoughtful and reasonable players.

BORDONARO